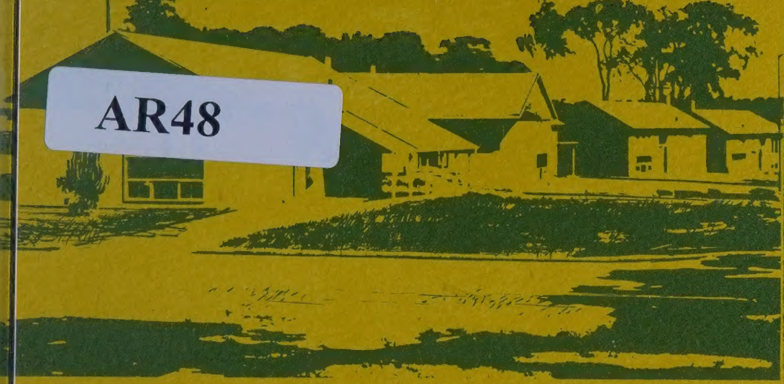

GENERAL MORTGAGE CORPORATION OF CANADA

1972 annual report

GENERAL MORTGAGE CORPORATION OF CANADA

directors

Allan L. Beattie, Q.C.
Toronto, Ontario

Matthew Gaasenbeek
Islington, Ontario

Derek C. Hannaford
Westmount, Quebec

Leonard Henderson
Mississauga, Ontario

John A. McCleery, F.C.A.
Don Mills, Ontario

William Teron
Rockcliffe Park
Ottawa, Ontario

Robert H. E. Walker, Q.C., D.S.O., E.D.
Montreal, Quebec

Jack B. Whitely
Baie D'Urfè, Quebec

officers

Jack B. Whitely
President

Leonard Henderson
Vice-President — Secretary

Leslie Stimpson
Vice-President

Christopher J. Cann
Treasurer

auditors

Thorne Gunn & Co.

counsel

Osler, Hoskin & Harcourt

head office

8 King Street East, Toronto, Canada M5C 1B5

GENERAL MORTGAGE CORPORATION OF CANADA

DIRECTORS' REPORT TO SHAREHOLDERS

The Canadian economy moved ahead strongly during 1972 with housing starts and sales very buoyant. At the same time, the money supply continued to expand substantially, with the result that the level of interest rates, including mortgage interest rates, remained relatively stable over the period. For the most part, mortgage funds were readily available for housing and worthwhile commercial and industrial projects.

During the year, General Mortgage experienced a continuation in the expansion of assets and earnings which began in 1971. Net income amounted to $93,197 or 82¢ per share compared to $83,312 or 73¢ per share in 1971 — an increase of 12%. It should be pointed out, however, that the increase would have been much greater (up 70%) had we not adopted a new, more conservative method of accounting for service fees earned, as explained in the notes to the financial statements.

Once again, the main activity of the Company was the operation of Mortgage Fund B. Considerable growth took place in the Fund as mortgages went up by 102%, from $4,331,337 to $8,745,599. This growth was financed by a $2,000,000 series B bond issue in July, bank borrowings of $1,170,000 and utilisation of bank deposit receipts of $1,200,000. A further $3,000,000 series B bond issue will be completed in February. This financing will repay bank loans and place Mortgage Fund B in funds for further expansion. Additional bond issues are planned for the coming year.

In Mortgage Fund A, the N.H.A. mortgages declined by $167,465 to $1,629,140, the proceeds going to reduce bank indebtedness.

In the General Fund, assets increased by $234,350. Additional investments were made in mortgages and preferred shares. Shareholders' equity (capital stock, reserve fund and unappropriated profits) at year end amounted to $1,723,079.

General Mortgage is growing at a very satisfactory rate and we are looking forward to this pattern continuing in the future. This success is largely due to the dedication and efforts of the management and staff to whom we would like to express our warmest appreciation.

ON BEHALF OF THE BOARD

President

January 29, 1973.

BALANCE SHEET — DECEMBER 31, 1972
(with comparative figures at December 31, 1971)

ASSETS

	1972	1971
General Fund		
Cash	$ 83,861	$ 19,408
Bank deposit receipts	110,000	
Investment in preferred stocks, at cost (quoted market value 1972, $674,013; 1971, $646,284 (note 1)	744,448	698,658
Mortgages receivable	857,558	815,310
Income taxes recoverable (note 3)		52,367
Office equipment and leasehold improvements, at cost less accumulated depreciation of $17,024 (1971, $11,957)	21,532	23,895
Unamortized financing expenses (note 2)	127,303	100,714
	1,944,702	1,710,352
Mortgage Fund A		
Cash	4,187	20
Mortgages receivable, issued under the National Housing Act	1,629,140	1,796,605
	1,633,327	1,796,625
Mortgage Fund B		
Cash	38,396	34,617
Bank deposit receipts		1,200,000
Mortgages receivable	8,745,599	4,331,337
	8,783,995	5,565,954
	$12,362,024	$ 9,072,931

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the corporation's affairs.

JACK B. WHITELY, President
LEONARD HENDERSON, Vice-President and Secretary } Directors.
CHRISTOPHER J. CANN, Treasurer

GENERAL MORTGAGE CORPORATION OF CANADA

(Incorporated by Special Act of Parliament under the laws of Canada)

LIABILITIES

	1972	1971
General Fund		
Accounts payable and accrued liabilities	$ 5,755	$ 6,702
Income and other taxes payable	2,018	
	7,773	6,702
Deferred service fees (note 4)	96,560	
Deferred income taxes (note 3)	117,290	73,768
Capital stock		
Authorized		
803,200 shares, par value $10 per share		
Issued		
113,360 shares	1,133,600	1,133,600
Reserve fund	100,000	100,000
Unappropriated profits	489,479	396,282
	1,723,079	1,629,882
	1,944,702	1,710,352
Mortgage Fund A		
Bank loans, secured by Series A bonds, payable on demand	1,620,500	1,785,500
Accrued interest	12,827	11,125
	1,633,327	1,796,625
Mortgage Fund B		
Bank loans, secured by Series B bonds, payable on demand	1,170,000	
Series B bonds (note 2)	7,354,650	5,490,250
Accrued interest and expenses	168,622	75,704
Mortgages payable	90,723	
	8,783,995	5,565,954
	$12,362,024	$ 9,072,931

AUDITORS' REPORT

To the Shareholders of
General Mortgage Corporation of Canada

We have examined the balance sheet of General Mortgage Corporation of Canada as at December 31, 1972 and the statements of income and unappropriated profits for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the corporation, these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles which, except for the change in accounting practice as explained in note 4 to the financial statements, have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 9, 1973.

THORNE GUNN & CO.,
Chartered Accountants.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Revenue		
Interest earned on mortgages and bank deposit receipts	$885,896	$586,065
Service fees earned (note 4)	48,380	55,000
Dividend income	43,287	35,153
Gain on sale of investments	10,872	
	988,435	676,218
Expenses		
Bank and bond interest	639,718	423,520
Amortization of financing expenses (note 2)	29,921	12,340
Salaries, pension fund payments and other staff benefits	91,584	51,609
All other administrative expenses including depreciation of $5,067 ($2,090 in 1971)	90,093	76,439
	851,316	563,908
Income before income taxes	137,119	112,310
Income taxes (note 3)		
Current (recoverable)	400	(22,015)
Deferred	43,522	51,013
	43,922	28,998
Net income for the year (note 4)	$ 93,197	$ 83,312
Net income per share	$ .82	$ .73

STATEMENT OF UNAPPROPRIATED PROFITS

YEAR ENDED DECEMBER 31, 1972
(with comparative figures for 1971)

	1972	1971
Unappropriated profits at beginning of year	$396,282	$312,970
Net income for the year	93,197	83,312
Unappropriated profits at end of year	$489,479	$396,282

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1972

1. INVESTMENT IN PREFERRED STOCKS

No provision for decline in value of the investment in preferred stocks has been made. The company considers that this decline is temporary and that no provision is necessary as it is not the company's intention to currently dispose of these securities.

2. SERIES B BONDS, MORTGAGE FUND B

Bonds mature as follows:

	1972	1971
1972		$ 256,000
1973	$1,060,100	1,053,500
1974	76,000	61,000
1975	89,250	79,250
1976	4,043,500	4,040,500
1977	2,085,800	
	$7,354,650	$5,490,250

Financing expenses are being amortized on a monthly basis over the term of the bonds.

3. RECLASSIFICATION

The 1971 current and deferred income taxes have been reclassified to reflect the write-off of bond financing expenses for tax purposes in the year incurred, rather than being amortized for tax purposes on the same basis as recorded in the accounts (note 2).

4. CHANGE IN ACCOUNTING PRACTICE

The company has adopted the policy of deferring service fees on mortgages whereas in prior years the service fees were taken into revenue as received. This change has been applied from January 1, 1972. The service fees are now taken into service fees earned over five years on the sum of the years digits method, commencing in the year the fees become receivable. Had this policy not been adopted, service fees earned and net income for the year ended December 31, 1972 would have been increased by $96,560 and $49,730 respectively.